

Message Text

LIMITED OFFICIAL USE

PAGE 01 BRASIL 06224 01 OF 03 081656Z
ACTION ARA-14

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
CEA-01 L-03 H-01 PA-01 /098 W
-----000754 081915Z /45

R 081553Z AUG 78
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC 8584
INFO AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

LIMITED OFFICIAL USE SECTION 1 OF 3 BRASILIA 6224

EO 11652: N/A
TAGS: EFIN, ETRD, BR
SUBJ: BRAZIL'S FOREIGN DEBT AS OF DECEMBER 1977

REFS: A) BRASILIA 2137
B) BRASILIA 4881

1. SUMMARY - OFFICIAL CENTRAL BANK DATA SHOW BRAZIL'S GROSS PUBLIC AND PRIVATE FOREIGN DEBT AMOUNTED TO \$32 BILLION AT THE END OF 1977. GIVEN GROSS FOREIGN RESERVES OF \$7.2 BILLION, NET FOREIGN DEBT WAS \$24.8 BILLION. THESE LEVELS WERE 23 PERCENT (GROSS DEBT) AND 27 PERCENT (NET DEBT) HIGHER THAN AT THE END OF 1976. THE COMPOSITION OF BRAZIL'S EXTERNAL INDEBTEDNESS BY TYPE OF LAON CHANGED VERY LITTLE IN 1977, WITH FINANCIAL CREDITS REPRESENTING TWO-THIRDS IMPORT FINANCING ONE-FOURTH OF TOTAL DEBT ACCOUNTED FOR BY GOB BORROWING AND GOVERNMENT GUARANTEED BORROWING INCREASED FROM 57 PERCENT AT END 1976 TO 60 PERCENT AT END OF 1977. THE AVERAGE MATURITY OF BRAZIL'S FOREIGN DEBT WAS 4.9 YEARS AT THE END OF 1977 AND 15 PERCENT OF TOTAL OUTSTANDING DEBT WAS DUE FOR PAYMENT IN 1978. GROSS DEBT SERVICE INCREASED BY 29 PERCENT IN 1977 TO \$6.6 BILLION

LIMITED OFFICIAL USE

PAGE 02 BRASIL 06224 01 OF 03 081656Z

OR EQUIVALENT TO 54 PERCENT OF MERCHANDISE EXPORTS. DESPITE THE SUBSTANTIAL IMPROVEMENT IN THE CURRENT DEFICIT OF 1977, MOST INDICATORS REFLECTED INCREASED FOREIGN DEBT AND DEBT SERVICE RELATIVE TO EXPORT EARNINGS AND RESERVES AS OF THE END OF THE YEAR. END SUMMARY.

2. FOREIGN DEBT POSITION - ACCORDING TO CENTRAL BANK DATA

RELEASED IN LATE JULY 1978 (1977 ANNUAL REPORT), BRAZIL'S REGISTERED GROSS FOREIGN DEBT (PUBLIC AND PRIVATE) INCREASED BY 23.3 PERCENT IN 1977 AND REACHED \$32,037 MILLION AT THE END OF DECEMBER 1977. OUTSTANDING FINANCIAL CREDITS UNDER LAW 4131, RESOLUTION 63, AND INSTRUCTION 289 AMOUNTED TO 21,528 MILLION AND DEBTS RELATED TO IMPORT FINANCING WERE \$8,422 MILLION. GOB AND GOVERNMENT-GUARANTEED BOND ISSUES AT THE END OF 1977 AMOUNTED TO \$1,222 MILLION AND ALL OTHER LOANS ACCOUNTED FOR \$865 MILLION. VARIATIONS FROM 1976 TO 1977 IN COMPOSITION ACCORDING TO SOURCE INCLUDED A DECLINE IN THE PROPORTION REPRESENTED BY FINANCIAL CREDITS FROM 70 PERCENT IN 1976 TO 67 PERCENT AT END OF 1977 DUE TO A LEVELING OFF IN NEW BORROWING IN 1977. IMPORT FINANCING DEBTS INCREASED SLIGHTLY FROM 25 PERCENT AT END OF 1976 TO 26 PERCENT AT END OF 1977. THIS INCREASE WAS OWING ENTIRELY TO AN INCREASE IN OUTSTANDING SUPPLIERS CREDITS, SINCE DEBTS OWED TO OFFICIAL MULTILATERAL AND BILATERAL INSTITUTIONS DECLINED marginally AS A PROPORTION OF TOTAL DEBT. SUPPLIERS CREDITS ACCOUNTED FOR 9.3 PERCENT OF TOTAL DEBT AT END OF 1976 AND 11.8 PERCENT OF TOTAL DEBT AT END OF 1977 (IN ABOUT TERMS OUTSTANDING SUPPLIERS CREDITS WERE \$2.414 MILLION AT END OF 1976 AND \$3,773 MILLION AT END OF 1977). OUTSTANDING BOND ISSUES MORE THAN TRIPLED AS A PROPORTION OF TOTAL FOREIGN DEBT, FROM 1.1 PERCENT AT END OF 1976 TO 3.8 PERCENT AT END OF 1977. ALL OTHER LOANS DECLINED FROM 3.6 PERCENT TO 2.7 PERCENT OF TOTAL DEBT, DUE MAINLY TO AMORTIZATION OF USAID PROGRAM LOANS, WHICH AMOUNTED TO \$570 MILLION OUTSTANDING AT END OF 1977.

LIMITED OFFICIAL USE

PAGE 03 BRASIL 06224 01 OF 03 081656Z

MILLION OUTSTANDING AT END OF 1977.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 BRASIL 06224 02 OF 03 081734Z

ACTION ARA-14

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03

INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03

SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07

CEA-01 L-03 H-01 PA-01 /098 W

-----001191 081916Z /45

R 081553Z AUG 78

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 8585
 INFO AMCONSUL RIO DE JANEIRO
 AMCONSUL SAO PAULO

LIMITED OFFICIAL USE SECTION 2 OF 3 BRASILIA 6224

3. BRAZILIAN PUBLIC AND PRIVATE GROSS FOREIGN DEBT
 (MILLIONS OF \$US OUTSTANDING AT END OF YEAR)

	1976	1977
TOTAL	25,985	32,037
FINANCIAL CREDITS	18,194	21,528
LAW 4131 1/	(13,438)	(16,262)
RESOLUTION 63 2/	(4,715)	(5,240)
INSTRUCTION 289	(41)	(26)
IMPORT FINANCING	6,577	8,422
INTERNATIONAL INSTITUTIONS 3/(	1,993)	(2,355)
GOVERNMENT ENTITIES 4/	(2,170)	(2,294)
SUPPLIERS CREDITS	(2,414)	(3,773)
BONDS 5/	289	1,222
OTHER 6/	925	865

1/ LOANS DIRECT TO BRAZILIAN ENDUSERS.

2/ LOANS TO BRAZILIAN BANKS FOR ONLENDING.

3/ INCLUDE IBRD, IDB, IFC.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BRASIL 06224 02 OF 03 081734Z

4/ INCLUDES USAID PROJECT LOANS, U.S. EXIMBANK,
 U.S. PL.). 480, OPIC, CANADIAN WHAT FINANCING,
 JAPANESE EXIMBANK, GERMAN KFW, AND NATIONAL BANK
 OF DENMARK.

5/ GOVERNMENT AND GOVERNMENT-GUARANTEED BONDS ONLY.

6/ INCLUDES USAID PROGRAM LOANS, COMPENSATORY LOANS,
 CONSOLIDATED PUBLIC DEBT, AND OTHERS.

4. COMPOSITION OF FOREIGN DEBT: PUBLIC AND PRIVATE -
 OBLIGATIONS OF THE GOB AND GUARANTEED BY THE GOB
 ACCOUNTED FOR \$19,309 MILLION OR 60.3 PERCENT OF
 BRAZIL'S GROSS FOREIGN DEBT AT THE END OF 1977.
 THIS PROPORTION INCREASED COMPARED TO END 1976 (WHEN
 PUBLIC FOREIGN DEBT WAS 57.4 PERCENT OF THE TOTAL),
 AS THE RESULT OF NEW BORROWING AND AMORTIZATION OF
 EXISTING DEBT DURING 1977. THE GOVERNMENT'S DEBTS
 AT YEAR-END INCLUDED \$10,391 MILLION OR 48.3 PERCENT
 OF TOTAL OUTSTANDING FINANCIAL CREDITS, UP FROM

45.8 PERCENT AT END 1976. PUBLIC DEBT ACCOUNTED FOR \$6,894 MILLION OR 81.9 PERCENT OF ALL END 1977 DEBT RELATED TO IMPORT FINANCING. THE LATTER, NOT SURPRISINGLY, INCLUDED THE BULK (88.0 PERCENT) OF LOANS FROM MULTILATERAL AND BILATERAL ORGANIZATIONS. IT ALSO ACCOUNTED FOR 74.3 PERCENT OF OUTSTANDING SUPPLIERS CREDITS, COMPARED TO 70.4 PERCENT AT END 1976.

5. COMPOSITON OF FOREIGN DEBT: MATURITY PROFILE - DESPITE SOME INCREASE IN THE PROPORTION OF TOTAL DEBT THAT IS DUE IN THE FIRST YEAR (15 PERCENT IN 1978, COMPARED TO 13 PERCENT DUE IN 1977 AS OF END 1976), BRAZIL CONTINUED TO EXHIBIT A SATISFACTORY LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BRASIL 06224 02 OF 03 081734Z

OVERALL DEBT STRUCTURE AT THE END OF 1977. PROJECTED AMORTIZATIONS DO NOT EXCEED 17 PERCENT OF TOTAL END 1977 FOREIGN DEBT IN ANY OF THE NEXT FIVE YEARS. AMORTIZATIONS OF FINANCIAL CREDITS ARE PROJECTED TO PEAK AT 20 PERCENT OF THE AMOUNT OUTSTANDING AT END 1977 IN THE THIRD YEAR (1980) AND THEN DECLINE TO 11 PERCENT IN 1982. AMORTIZATIONS OF PRIVATELY HELD DEBT, HICH IS IN LARGE PART RELATED TO FINANCIAL CREDITS, ARE EXPECTED TO CORRESPOND TO 19 PERCENT OF THE END 1977 TOTAL IN EACH OF THE FIRST THREE YEARS (1978-80) AND THEN DROP TO 11 PERCENT IN 1982. SINCE PUBLIC DEBT INCLUDES ALL CONCESSIONAL LENDING TO BRAZIL, THE AMORTIZATION SCHEDULE IS LONGER THAN FOR PRIVATE DEBT. PROJECTED EPAYMENTS REACH ONLY 16 PERCENT OF END 1977 TOTALS IN THE THIRD YEAR (1980) AND OVER ONE-THIRD OF BRAZIL'S PUBLIC DEBT IS DUE ONLY AFTER 1982. THE AVERAGE MATURITY OF BRAZIL'S DEBT AT THE END OF 1977 WAS 4.9 YEARS, COMPARED TO 4.6 YEARS AT THE END OF 1976. THE AVERAGE TERM OF OUTSTANDING FINANCIAL CREDITS DECLINED SLIGHTLY, FROM 3.9 YEARS TO 3.8 YEARS, BUT THE AVERAGE MATURITY OF ALL OTHER BORROWING IMPROVED FROM 6.3 YEARS AT END 1976 TO 6.9 YEARS AT END 1977.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 BRASIL 06224 03 OF 03 081756Z

ACTION ARA-14

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03

INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03

SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07

CEA-01 L-03 H-01 PA-01 /098 W

-----001405 081916Z /45

R 081553Z AUG 78

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 8586

INFO AMCONSUL RIO DE JANEIRO

AMCNSUL SAO PAULO

LIMITED OFFICIAL USE SECTION 3 OF 3 BRASILIA 6224

6. BRAZILIAN FOREIGN DEBT PROFILE (PERCENT OF DEBT OUTSTANDING
AT END 1977 DUE DURING YEAR)

	1	2	3	4	5	AFTER
	1978	1979	1980	1981	1982	1982
TOTAL	15	16	17	14	11	27
BY TYPE OF LOAN						
FINANCIAL CREDITS	16	19	20	16	11	18
ALL OTHER	12	11	10	9	10	48
BY TYPE OF BORROWER						
PUBLIC	12	15	16	12	10	34
PRIVATE	19	19	19	16	11	17

7. FOREIGN DEBT SERVICE - CENTRAL BANK DEBT DATA INDICATE
THAT BRAZIL'S TOTAL DEBT SERVICE IN 1977 AMOUNTED TO \$6,578
MILLION, CONSISTING OF \$4,116 MILLION IN AMORTIZATIONS
AND \$2,462 MILLION IN GROSS INTEREST PAYMENTS. IN
COMPARISON WITH 1976, AMORTIZATIONS INCREASED 36.7
PERCENT, INTEREST 17.7 PERCENT, AND TOTAL DEBT
SERVICE 29.0 PERCENT. OFFSETTING PART OF THE DEBT
SERVICE BURDEN WERE INTEREST EARNINGS OF \$358 MILLION
IN 1977, UP FROM \$281 MILLION IN 1976. NET INTEREST
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BRASIL 06224 03 OF 03 081756Z

COSTS THUS WERE \$2,103 MILLION IN 1977 AND NET DEBT
SERVICE \$6,220 MILLION. PROJECTED AMORITZATIONS OF
\$4,806 MILLION FOR 1978 ON BASIS OF END 1977 DEBT
POSITION SUGGEST 17 PERCENT INCREASE IN 1978. HOWEVER,
IT SHOULD BE NOTED THAT ACTUAL AMORTIZATIONS OFTEN
EXCEED PROJECTIONS BASED ON DEBT DATA, BECAUSE OF
REPAYMENTS ON BORROWING CONTRACTED DURING THE GIVEN
YEARS.

8. INDICATORS OF BRAZIL'S DEBT SERVICE CAPACITY -

DESPITE A \$2.1 BILLION IMPROVEMENT IN THE CURRENT ACCOUNT DEFICIT FROM 1976 TO 1977, BRAZIL'S FOREIGN DEBT AND DEBT SERVICE CONTINUED TO INCREASE RELATIVE TO EXPORTS AND FOREIGN RESERVES. WHILE MERCHANDISE EXPORTS GREW BY A RESPECTABLE 20 PERCENT IN 1977, GROSS DEBT INCREASED 23.3 PERCENT AND NET FOREIGN DEBT (GROSS DEBT LESS GROSS RESERVES) INCREASED BY 27.5 PERCENT (FROM \$19,441 MILLION AT END 1976 TO \$24,781. MILLION AT END 1977). GROSS FOREIGN EXCHANGE RESERVES INCREASED ONLY \$712 MILLION IN 1977, FROM \$6,544 MILLION IN 1976 TO \$7,256 MILLION IN 1977. HOWEVER, DUE TO CONTINUED SUPPRESSION OF IMPORTS BY ADMINISTRATIVE MEANS AND LOWER ECONOMIC GROWTH, GROSS RESERVES EXPRESSED IN TERMS OF MONTHS OF IMPORTS F.O. B. INCREASED FROM 6.4 MONTHS IN 1976 TO 7.3 MONTHS AT THE END OF 1977. THE CENTRAL BANK'S "COEFFICIENT OF VULNERABILITY" (DEFINED AS NET DEBT SERVICE LESS RESERVES REMAINING AFTER DEDUCTING THE EQUIVALENT OF 3 MONTHS OF IMPORTS, AS A PROPORTION OF MERCHANDISE EXPORTS) ALSO IMPROVED, FROM 38 PERCENT IN 1976 TO 23 PERCENT IN 1977. ON THE OTHER HAND, OTHER INDICATORS DETERIORATED IN VARYING DEGREES IN 1977. THE CENTRAL BANK'S LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BRASIL 06224 03 OF 03 081756Z

"COEFFICIENT OF PROTECTION" (DEFINED AS THE PROPORTION OF TOTAL BORROWING DURING THE YEAR THAT WOULD REMAIN IF NET DEBT SERVICE WERE PAID ENTIRELY OUT OF THE NEW BORROWING) DECLINED SHARPLY FROM 40 PERCENT IN 1976 TO 27 PERCENT IN 1977. THE 29.0 PERCENT INCREASE IN GROSS DEBT SERVICE IN 1977 OVER 1976 (SEE PARA 7) EXCEEDED THE 26.5 PERCENT IN 1976 OVER 1975. CORRESPONDINGLY, THE ORTHODOX DEBT SERVICE RATIOS ALSO WORSENE. GROSS DEBT SERVICE WAS EQUIVALENT TO 54.1 PERCENT OF MERCHANDISE EXPORTS IN 1977 COMPARED TO 50.4 IN 1976. AT THE LENIENT END OF THE INDICATOR SPECTRUM, NET DEBT SERVICE AS A PROPORTION OF EXPORTS OF GOODS AND SERVICES (EXCLUDING INCOME ON BOTH DEBT AND EQUITY CAPITAL) INCREASED FROM 43.1 PERCENT IN 1976 TO 47.0 PERCENT 1976 TO 47.0 PERCENT IN 1977.

9. COMMENT - THE CENTRAL BANKS'S DEFINITIVE DATA ON END 1977 FOREIGN DEBT CONFIRM OUR PREVIOUS KNOWLEDGE OF THE CONTINUED SUBSTANTIAL GROWTH IN BRAZIL'S DEBT 8, 1977. THEY ALSO SPELL OUT IN GREATER DETAIL:
A) THE MARGINAL INCREASE IN PUBLIC DEBT AND IN SUPPLIERS CREDITS AS PROPORTIONS OF TOTAL DEBT; AND
B) MAINTENANCE OF A SATISFACTORY MATURITY PROFILE THROUGH LENGTHENING OF THE MINIMUM GRACE PERIOD ON FINANCIAL CREDITS, CONTINUED LARGE-SCALE ACCESS TO

IBRD AND IDB LENDING, AND GREATLY EXPANDED USE OF
BOND ISSUES. THESE DATA CONSTITUTE REVISIONS OF
EARLIER ESTIMATES IN REFTELS A AND B. THEY ALSO
PROVIDE A BASIS FOR FURTHER EMBASSY ANALYSIS OF
BRAZIL'S FOREIGN DEBT AND CREDITWORTHINESS, WHICH
WILL FOLLOW IN FUTURE.
SAYRE

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GOVERNMENT DEBTS, FINANCIAL DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 08 aug 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BRASIL06224
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780324-0741
Format: TEL
From: BRASILIA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780884/aaaacspl.tel
Line Count: 338
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 3cf56d66-c288-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 BRASILIA 2137
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1797497
Secure: OPEN
Status: NATIVE
Subject: BRAZIL'S FOREIGN DEBT AS OF DECEMBER 1977
TAGS: EFIN, ETRD, BR
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/3cf56d66-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014